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FISCAL IMPACT STATEMENT

LS 7499

BILL NUMBER: SB 454

NOTE PREPARED: Apr 1, 2009

BILL AMENDED: Mar 31, 2009

SUBJECT: Medicaid Health Facility Quality Assessment Fee.

FIRST AUTHOR: Sen. Miller

FIRST SPONSOR: Rep. C. Brown

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: (Amended) The bill extends the Health Facility Quality Assessment Fee until August 1, 2011. (The fee currently expires August 1, 2009.) It also specifies the percentage distribution of money collected from the quality assessment depending on whether the state is receiving an adjusted federal medical assistance percentage by the federal American Recovery and Reinvestment Act (ARRA) of 2009.

The bill specifies conditions that a continuing care retirement community must meet in order to be exempt from the quality assessment fee. It also provides an exemption for hospital-based health facilities.

The bill revises the definition of "continuing care agreement" to mean agreements requiring the payment of an entrance fee of at least \$25,000. It specifies when a person providing continuing care has to register the continuing care retirement community with the Securities Commissioner. The bill also eliminates payments to the Indiana Retirement Home Guaranty Fund after June 30, 2009.

The bill removes provisions limiting the health facilities subject to the quality assessment fee based on the health facility's Medicaid utilization rate and annual Medicaid revenue. It also eliminates the exemption from the quality assessment fee for health facilities that only receive Medicare revenues.

The bill eliminates the role of the Department of State Revenue in collecting QAF.

Effective Date: (Amended) October 1, 2008 (retroactive); January 1, 2009 (retroactive); July 1, 2009.

Explanation of State Expenditures: This bill would extend the required increase in Medicaid nursing facility reimbursement for two years. The current statute requires that 80% of the QAF collected, must be

used to leverage federal Medicaid matching funds to increase nursing facility reimbursement targeting specific uses. The remaining 20% of the estimated QAF must be used to offset Medicaid costs incurred by the state. Should federal financial participation become unavailable to provide for the additional reimbursement, current law provides that OMPP will cease to collect the QAF.

(Revised) *Adjustment for the Federal ARRA Medicaid Stimulus Funding:* A 6.2% enhanced federal Medicaid match add-on as well as an estimated 2.77% bonus unemployment percentage will be available to the state from October 1, 2008, to December 31, 2010. The bill provides for a temporary change in the percentage of the QAF collected that must be used to leverage federal matching dollars for nursing facility reimbursement to 60% from the current 80%. This revision in the percentage would limit total Medicaid nursing home reimbursement to approximately the same level it would have been, absent the federal ARRA Medicaid stimulus funding. Assuming that the bonus unemployment percentage would not increase over the period of time that stimulus funds will be available, the 60% share of the QAF targeted to nursing home reimbursement is estimated to result in about \$4.4 M more in total reimbursement to nursing facilities than would have been paid at the 80% level using the state's regular Federal Medical Assistance Percentage (FMAP).

The responsibility for the Department of State Revenue to collect the QAF is eliminated by the bill. OMPP will assume that responsibility by offsetting the collection of the QAF against Medicaid payments.

Explanation of State Revenues: (Revised) *Extension of the QAF:* Extending the authorization for the collection of the QAF and the related increased expenditures from August 2009 to August 2011 would authorize an estimated annual collection of about \$100 M for each of FY 2010 and FY 2011 if nursing facility days remain constant. The bill also changes the percentage distribution of money collected from the QAF if the state is receiving an adjusted FMAP because of the ARRA. The total annual collections and the state share of the collections from both provisions are as follows.

Fiscal Year	QAF Collections	State Benefit from:		Total
		Extension of QAF	Temporary 40%	
FY 2006	\$ 333.9 M	\$ 62.7 M		
FY 2007	\$ 108.3 M	\$ 21.7 M		
FY 2008	\$ 107.7 M	\$ 21.5 M		
FY 2009	\$ 102.1 M	\$ 20.4 M	\$ 15.3 M	\$ 35.7 M#
FY 2010*	\$ 100.9 M	\$ 20.2 M	\$ 20.2 M	\$ 40.4 M
FY 2011*	\$ 99.9 M	\$ 20.0 M	\$ 10.0 M	\$ 30.0 M#
* Estimated.				
# Temporary increase in state share is for less than a full year.				

Definition of Community Care Retirement Community: The bill defines a Community Care Retirement Community (CCRC) for the purposes of the collection of the QAF as a facility that provides independent living services and health facility services in a campus setting with common areas. CCRCs are also required to assess each resident with an initial entrance fee of at least \$25,000 for the cost of the resident's care. The bill further provides that the entrance fee must be entirely exhausted before the resident may be eligible for

Medicaid. Nursing facilities that are part of a CCRC are exempt from the QAF. By specifying a more stringent definition for CCRCs, the bill may prevent nursing facilities that meet the current broader definition used for consumer protection by the Secretary of State's Office, from avoiding paying the QAF. The extent of any impact associated with the more stringent definition would depend on the size and utilization of any facilities that might register as a CCRC to avoid paying the QAF.

Background: In the current model approved by CMS, the amount of the QAF is based on a nursing facility's total annual patient days. Quality assessments of \$10 per non-Medicare patient day are to be collected from nursing facilities with total annual patient days of less than 70,000 days. Facilities with annual patient days equal to or greater than 70,000 days will be assessed \$2.50 per non-Medicare day. Local government-owned nursing facilities will be assessed \$2.50 per non-Medicare patient day, as well. Nursing facilities that are continuing care retirement communities, hospital-based, or owned by the state are exempt from the QAF.

Medicaid is a jointly funded state and federal program. Funding for direct services is reimbursed at approximately 64% by the federal government, while the state share is about 36%. Funding for administrative services is generally shared 50/50. The stimulus add-on percentage of 6.2% and the estimated 2.77% bonus unemployment percentage do not apply to medical assistance that is currently eligible for *enhanced* FMAP such as CHIP, nor do they apply to Disproportionate Share Hospital payments.

Explanation of Local Expenditures: See *Explanation of State Revenues*, above, as it relates to municipally owned or county-owned nursing facilities or health facilities.

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State Agencies Affected: OMPP; Department of State Revenue; State Department of Health.

Local Agencies Affected: Municipally owned or county-owned nursing facilities or health facilities.

Information Sources: Family and Social Services Administration, OMPP.

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